

Senate Energy and Technology Committee

Chairman Mike Nofs

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Testimony of Daniel M. Dasho

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My name is Daniel M. Dasho.

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I am the President and Chief Executive Officer of Cloverland Electric Cooperative. I appreciate Senator Nofs and the committee giving me the opportunity to testify today.

I previously testified regarding SB 437.

Cloverland Electric Cooperative

Cloverland Electric Cooperative is a Michigan nonprofit corporation engaged in the generation, distribution and sale of electric energy to member customers in the counties of Chippewa, Delta, Luce, Mackinac and Schoolcraft in Michigan's Upper Peninsula, including the cities of Sault Ste. Marie, St. Ignace, Mackinac Island and Manistique. Cloverland has approximately 42,000 member customers, consisting of residential, farm residential, seasonal, commercial, outdoor lighting and large power accounts.

Alternative Electric Supply

I am here today to speak to the issue of AES and the devastating problems it has caused to Cloverland's members and the UP.

AES Law Changed

As you know the AES law was changed in 2008 to set a 10% cap on AES load a utility has to allow. In addition the AES law allowed for the Iron Ore mines in the UP to take 100% of their load to an AES. The mines did this in 2013. That

started the avalanche of legal proceedings at the Federal Energy Regulatory Commission (FERC) in Washington, D.C. The UP will be on the hook for between \$25 million and \$55 million due to the AES law (depending on whose numbers you believe).

Although Michigan law generally limits an AES to 10% of any utility's load, Michigan's legislature enacted an exemption to the 10% limit specifically for the Mines.

The change is hurting Cloverland and the UP. The Mines left their retail supplier but the largest coal plant in the UP had to stay running to supply the Mines and UP reliability. All of the UP was charged for the operation of the power plant, where before it was paid for as part of a Power Plant fleet.

This issue is still not resolved and further action is coming from FERC on the cost allocations. That is the result of PA 286.

The costs are a direct result of PA 286 law. The UP will be hit with these costs that, without the law, would not have even existed. The AES law with the mining exemption should be repealed. It should be removed from SB 437. The current language is still a loaded gun pointing at the UP. The exemption for the mines remains in place. The UP electric reliability is dependent on the PIPP being operational and if the mines were to leave service from WEPCO we would be right back where we started. Further, if a new plant is built and the mines leave to an AES again, the full cost of the new plant would become the UP's.

The UP is in need of serious infrastructure improvements. We have seen the state require a new power plant to replace PIPP. This solution was arrived at with no long range planning or least cost analysis. The UP needs a well thought out long range plan developed with all the UP stakeholders at the table. We do not have the facilities we need to support new growth or reliable supply. As a minimum the UP should not be required to have the AES law or its exemptions forced on us until we have the type of system that is present in the Lower Peninsula. If there is an exemption it should be that no AES be allowed in the UP until the infrastructure has been addressed.

AES at 10%

The only Coops in Michigan that have customers with an AES are in the UP and

are not part of Wolverine. When faced with an AES taking load from us Cloverland is up against billion dollar companies. We are a small entity made to compete with electric giants. This isn't fair competition. With small systems we should have the choice to allow an AES into our territory. The Munis have the choice and I think that systems smaller than 75,000 should have the choice to opt in.

An AES customer gets a benefit paid for by our remaining members. This is cost subsidization at its worst. From my prospective the AES law is a cost shift from those taking advantage of the law to those that are left. Again, customers taking power through an AES get their savings at the cost to the customers without the option. It makes no difference whether it's a hotel, a mine, a school or a hospital. There is no savings for the tax payers for schools going to an AES because any saving to them comes right back through higher electric costs due to their local utility having to make up for less load. There is no free lunch; the costs for the system must be paid.

Michigan needs a long term least cost plan that can serve the entire load. We need to have the entire load accounted for and paying its fair share of the long term costs.

The AES law frustrates good least cost planning. The Choice law is a bad choice for Cloverland, our members and Michigan. I would advocate for the removal of the AES language in SB 437.

Cloverland Electric Cooperative

Requested changes to SB 437

Legal language for SB 437:

In SB 437, add the following subsection to Section 10a of (on electric retail choice):

(#) On and after the effective date of the amendment that added this subsection, an electric utility serving fewer than 75,000 retail customers in Michigan shall have the option whether to continue offering retail open access service subject to this act, or discontinue the service. Discontinuance of the service by regulated providers shall be carried out by filing amended tariffs with the commission. Discontinuance of the service shall not impair the right of existing retail open access service customers to continue receiving the service from an alternative electric service provider for the remaining term of their contract with an alternative electric service provider and that right shall be recognized in the amended tariff filings.

Completely strike paragraph (c), Section 10 E.

This section allows Iron Ore Mines to take more than 10% of the retail supplier's load to an AES. This is what got the UP into all the FERC and MISO trouble to start with.